



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

October 27, 2004

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **OPTIONS CONTRACT REVIEW**

We have completed a contract compliance review of Options, a CalWORKs Stage 1 Childcare service contractor. The review was conducted as part of the Auditor-Controller's Centralized Contract Monitoring Pilot Project.

Background

The Department of Public Social Services (DPSS) contracts with Options, a private, non-profit, community-based organization that assists parents with childcare services. Options' services include explaining participant's childcare options and program rights, providing multilingual services to the participant upon request, consumer education information and childcare referrals. In addition, Options conducts monthly monitoring of its staff located at DPSS offices. Options is located in the First, Fourth and Fifth Districts.

DPSS pays Options a negotiated rate of approximately \$122 per case per month. DPSS also pays Options a fixed monthly fee of approximately \$16,000 to fund Options' staff located at DPSS offices and approximately \$7,000 for nine-months for outreach services. For Fiscal Year 2003-2004, DPSS paid Options approximately \$1.4 million.

Purpose/Methodology

The purpose of the review was to determine whether Options provided the services outlined in their Program Statement and County contract. We also evaluated Options' ability to achieve planned service and staffing levels. Our monitoring visit included a review of Options' billing statements, participant case files, staff time sheets, allocated department journal schedules and interviews with Options' staff, program participants and service providers.

"To Enrich Lives Through Effective and Caring Service"

Results of Review

Overall, Options is providing the services outlined in its contract using the appropriate number of staff. The program participants interviewed stated that the services they receive from Options met their expectations. In addition, Options maintained its targeted service levels for January and February 2004.

However, Options does not always maintain documentation to confirm the program participants' eligibility for childcare services. Options also does not always send a Notification of Denial to daycare providers when program participants do not complete the required documentation in accordance with the County contract. Specifically, we noted the following:

- For two (10%) of the 20 cases, Options did not maintain documentation to confirm the program participants' eligibility to receive program services.
- For two (10%) of the 20 cases, the program participants did not provide Options with the required program information within 40 days of receiving initial program services and Options did not send Notices of Action to the participants to deny program services, as required by the County contract. Options is required to send Notices of Action to deny program services to participants when the participants do not provide the required program information (e.g., the name of the daycare provider, etc.) within 40 days of receiving initial program services. The Notices of Action inform the participants that program services will be denied if the required information is not provided.

Subsequently, the two participants provided the information and services were not denied.

We recommended that Options maintain documentation to confirm the participant's eligibility for childcare services and that Options needs to send Notices of Action to program participants to inform them that program services will be denied if necessary information is not provided within the timeframes required by the County contract.

Review of Report

We discussed our report with Options who concurs with the findings. In their attached response, Options indicated that they will be submitting a corrective action plan to DPSS within 30 days. In addition, we notified DPSS of the results of our review and DPSS management will work with the Agency to implement the recommendations.

We thank Options for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:DC
Attachment

- c: David E. Janssen, Chief Administrative Officer
Department of Public Social Services
Bryce Yokomizo, Director
Ida L. Rivera, Chief, Contract Management Division
Shirley Christensen, Chief, GAIN Program Division
Kelly O'Connell, Associate Executive Director, Options
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**CENTRALIZED CONTRACT MONITORING PILOT PROJECT
CaIWORKs STAGE 1 CHILDCARE PROGRAM
FISCAL YEAR 2003-2004
OPTIONS**

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether Options provided the services billed in accordance with their contract and the program participants actually received those services.

Verification

We sampled 20 program participant case files and reviewed the case file documentation, including billing statements. We also interviewed 40 program participants and 40 daycare providers. Our sample represents \$4,880 out of a total of \$167,233 that Options billed DPSS.

Results

Overall, Options provided the services outlined in its County contract and the services met the participants' expectations. Options clearly explained childcare options, program rights, and consumer information to the participants. In addition, upon request, Options provided multilingual services and daycare referrals to the program participants that requested the services.

However, Options does not always maintain documentation to confirm the program participants' eligibility for childcare services. In addition, Options also does not always take corrective action to ensure that the program participants provide the necessary program information to Options' staff within the timeframes required by the County contract. Specifically, we noted the following:

- For two (10%) of the 20 cases, Options did not maintain documentation to confirm the program participants' eligibility to receive program services.
- For two (10%) of the 20 cases, the program participants did not provide Options with the required program information within 40 days of receiving initial program services and Options did not send Notices of Action to the participants to deny program services, as required by the County contract. Options is required to send Notices of Action to deny program services to participants when the participants do not provide the required program information (e.g., the name of the daycare provider, etc.) within 40 days of receiving initial program services. The Notices of Action inform the participants that program services will be denied if the required information is not provided.

Subsequently, the two participants provided the information and services were not denied.

In the four cases listed above, the participants were eligible to receive the services. However, the lack of documentation to confirm eligibility for program services and not sending Notices of Action when program participants do not comply with the County contract requirements could result in ineligible individuals receiving childcare services. We recommend that Options needs to maintain documentation to support the participants' eligibility for childcare services. In addition, Options needs to send Notices of Action to program participants to inform them that program services will be denied if necessary information is not provided.

Recommendations

Options management ensure that:

- 1. Participant case files maintain documentation indicating the participant's eligibility for childcare services.**
- 2. Notices of Action are sent to the program participants to inform them that program services will be denied if necessary information is not provided.**

STAFFING/CASELOAD LEVELS

Objective

Determine whether Options' actual staffing met the staffing levels required by the County contract.

Verification

We interviewed 49 in-house program staff and four staff and one supervisor located at DPSS field offices. We also reviewed their timesheets that they completed during the period under review.

Results

Options actual staffing levels did not significantly vary from the staffing levels required by its County contract.

Recommendation

There are no recommendations for this section.

SERVICE LEVELS

Objectives

Determine whether Options reported service levels did not significantly vary from planned service levels.

Verification

We reviewed invoices and compared them to Options' proposed service levels for the same period.

Results

For January and February 2004, Options' reported service levels averaged approximately 686 participant cases. This represents a decrease of approximately 10% from the budgeted service levels of 762 participants. The decrease in the service levels is due to a decrease in the number of cases referred to the contractor by DPSS.

Recommendation

There are no recommendations for this section.



PTIONS — CHILD CARE SERVICES DIVISION

October 14, 2004

J. Tyler McCauley
Los Angeles County Auditor – Controller
500 W. Temple, Room 525
Los Angeles, CA 90012

Dear Mr. McCauley:

Contract Review Response

I have reviewed the report issued by your Department and am in general agreement with the findings and recommendations. I will be submitting a corrective action plan to the Department of Public Social Services within 30 days that details our efforts to implement the recommendations contained in the report.

Please contact me if you have any questions at (626) 856-5900.

Sincerely,

Kelly O'Connell
Associate Executive Director

cc: Cliff Marcussen
Ruchika Bharadwaj